

SFB Policies and Procedures

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I. Board Governance Procedures

Per ARS 41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

A. Composition of the Board

(ARS §15-2001) The Board consists of 9 members appointed by the Governor and confirmed by the Senate to fill 4-year terms. The Board members should be of approximate geographic balance, with approximate balance of public and private members. The following are the descriptions for each:

1. An elected member of a school district governing board with knowledge and experience in finance.
2. A private citizen who represents an organization of taxpayers.
3. A member with knowledge and experience in school construction.
4. A registered professional architect who has current knowledge and experience in school architecture.
5. A member with knowledge and experience in school facilities management in a public school system.
6. A member with knowledge and experience in demographics.
7. A teacher who currently provides classroom instruction.
8. A registered professional engineer who has current knowledge and experience in school engineering.
9. An owner or officer of a private business.
10. The Superintendent of Public Instruction shall designate a representative to serve as an advisory nonvoting member of the SFB.

The Chairman is appointed by the Governor from the voting members. All members of the Board are subject to conflict of interest statutes (Title 38, Ch.3, Art. 8). Members of the Board who are employed by government entities are not eligible to receive compensation. The unexcused absence of a member for more than 3 consecutive meetings is justification for removal from the Boards. All appointees must attend a Public Service Orientation. (ARS §38-592)

B. Officers and their Duties (Adopted September 1998)

The Board has two officers – a Chair and a Vice-Chair. The Chair is appointed by the Governor as provided by statute. The Chair appoints a Vice-Chair. The Governor will appoint the Chair by the June meeting of the Board prior to the beginning of each fiscal year. The term of office shall begin in July and last for one year, or until a successor is duly appointed. Officers may be re-appointed to serve an additional term or terms.

The Chair shall preside over the meetings of the Board and perform such other duties as designated by the Board. The Chair serves as an ex-officio member of all committees of the Board. The chairperson will work with the executive director to prepare board meeting agendas,

preside at board meetings, appoint committees and committee chairpersons, sign official documents on behalf of the Board, and may represent the Board in public and official capacities as designated by the Board. The Chair is the official spokesman on behalf of the Board on matters coming before the Board.

In the absence of the Chair, the Vice-Chair shall preside over meetings of the Board. If the Chair and Vice-Chair are both absent for a meeting, the Board shall elect a member to preside over that meeting.

If a vacancy occurs in the office of the Chair, the Vice-Chair shall assume the duties of the Chair until such time as the Governor appoints a new Chair to complete the unexpired term. Vacancies occurring in the Board membership shall be filled by the Governor's appointment of a qualified person for the unexpired term of the office.

C. Duties of the Board

Per ARS §15-2002 the SFB shall:

1. Assess facilities and equipment to approve distribution of grants.
2. Develop database to administer building renewal distributions.
3. Inspect every school building once every 5 years for compliance with adequacy standards and routine preventative maintenance.
4. Review population projections for new construction monies.
5. Certify new school facilities meet building adequacy standards.
6. Develop prototype elementary and high school designs. Review design differences between high & low performing schools. Review ADE survey of parent quality rating.
7. Develop forms and procedures for carrying out requirements (See *Exhibit Item I.C.* for forms developed by staff for reporting District Square Footage information.).
8. Review requests submitted by a school district.
9. Submit an annual report by Dec. 15 to Speaker of House, Senate President, Supt. of Public Instruction, Director of AZ State Library, Archives, and Public Records which includes:
 - i. Description of amount of monies distributed in previous fiscal year.
 - ii. List of each capital project that received money
 - iii. Summaries of findings and conclusions, building maintenance inspection
 - iv. Common design elements in highest performing schools and evaluation of parent quality rating.
10. Report to JCCR (Joint Committee on Capital Review) by Dec.1 the amount necessary for the fiscal year following the current year. By January 1, report transaction privilege tax to be credited for the following year.
11. Adopt minimum facility guidelines, including those for the Arizona State Schools for the Deaf and Blind (ASDB).
12. Report amounts necessary for schools for deaf and blind for legislative appropriation.
13. By January 1, provide the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee a 5-year strategic plan for the budget unit per ARS §35-222

14. By October 15, provide information to JCCR of proposed construction schedule and new construction cost estimates for the following fiscal year.
15. Per ARS §15-2041, by December 31, provide a report to the Governor and legislative leadership comparing certain measurable components of construction projects that have utilized project management services and pre-construction services with projects that have not utilized those services. School districts, project management firms and construction management firms are required to provide information needed for the report.

D. Board Meetings (Adopted September 1998)

Unless otherwise agreed upon by a majority of the Board, meetings shall be held on the first Thursday of the month except in July. If the Chair deems there is insufficient business to justify a monthly meeting, that meeting may be canceled.

The Chair or any three (3) members of the Board may call a special meeting of the Board at any time.

A quorum must be present to hold a meeting. A quorum consists of a majority of the members (5). At each meeting, an Attorney General is present to assist with legal questions and ensure we adhere to the public meeting guidelines. If there is a dispute on the conduct of the meeting we adhere to Robert's Rules. Questions can be directed to the Director, Board Chairman or the Attorney General's office.

The unexcused absence of a member for more than three consecutive meetings is justification for removal by a majority vote of the board. If the member is removed, notice shall be given of the removal pursuant to section ARS §38-292.

E. Agenda Preparation

The Chair and the Executive Director shall develop an agenda for each Board meeting. Any member of the Board may submit an item to the Chair for placement on the agenda no later than 21 days prior to the Board meeting. Any person other than a Board member wishing to have an item placed on the agenda shall submit a written request to the Executive Director no later than 21 days prior to the Board meeting. The Executive Director may choose not to place an item submitted by a person other than a Board member on the agenda. A sample agenda is included in *Exhibit Item IE*.

To address the Board regarding an agenda item, any member of the public may submit a written request to be heard prior to the beginning of the meeting. Public participation forms will be provided, along with copies of the meeting agenda.

A "Call to the Public" is also held at the end of each meeting for items not on the agenda. During this time the public may address the Board, though the Board cannot respond to items brought before them at this time.

F. Committees (Adopted September 1998)

The Chair or a majority of the Board may establish such ad hoc or special committees, as deemed necessary or advisable. The Chairperson shall appoint the membership of such committees, which may include members of the Board and shall designate the matters to be considered by said committees. Unless otherwise authorized by the Board, all such committees shall act as advisory bodies to the Board and report their recommendations to the Board.

G. Board Member Reimbursement and Compensation Policy and Procedures

By statute, Board members are entitled to payment for attending Board meetings and reimbursement for related expenses.

ARS §15-2001(G) Members of the board who are employed by government entities are not eligible to receive compensation. Members of the board who are not employed by government entities are entitled to payment of one hundred fifty dollars for each meeting attended, prorated for partial days spent for each meeting, up to two thousand five hundred dollars each year. All members are eligible for reimbursement of expenses pursuant to title 38, chapter 4, article 2. These expenses and the payment of compensation are payable to a member from monies appropriated to the board from the new school facilities fund.

ARS § 38-622. Authorization for travel; claims

A. When the official duties of a public officer, deputy or employee require the public officer, deputy or employee to travel from the public officer's, deputy's or employee's designated post of duty, the public officer, deputy or employee shall be allowed reimbursement of the expenses incurred for that travel.

B. The reimbursement of expenses shall be authorized by travel orders signed by the head of the department or agency, or by a person to whom that authority has been properly delegated.

C. Claims by public officers, deputies, and employees for reimbursement of expenses for transportation, lodging, meals and incidentals and long-term subsistence allowances shall be submitted on forms prescribed by and in the manner required by the department of administration

Board members should have the following forms on file with the School Facilities Board in order to receive Board or travel payments:

1. Personal Data Sheet
2. Arizona Form A-4 (tax withholding)
3. Federal W-4 (tax withholding)
4. Form I-9 (Employment Eligibility Verification including copies of pertinent verification, i.e. drivers license, social security card, etc.

Even if you do not qualify or have elected not to be compensated for your service we must still have these forms on file to represent a position number in the state human resources information system (HRIS).

At each board meeting a payment voucher will be provided to the members eligible for reimbursement. Travel claims can be turned in monthly or held and turned in less frequently, but at least once per fiscal year.

H. Board Member Public Service Orientation

Each Appointee will be notified by the Governor's Office of Boards and Commissions of this training; and must attend this Public Service Orientation. The training session will feature both legal experts and administration officials who share their experiences and provide valuable information relevant to board or commission membership.

ARS §38-592. A. The state shall conduct public service orientation programs so that all state officers and employees receive such training within six months after the date of hire, election or appointment. Each year after their training, all state officers and employees shall receive written information from the public entity responsible for providing the public service orientation program pursuant to subsection B, regarding changes in laws relating to the proper conduct of public business.

B. (4) The department of administration shall implement the public service orientation program for appointees and volunteers to all state agencies, departments, boards, commissions, committees and councils and for all other state employees.

I. Conflict of Interest

All board members must submit a conflict of interest disclosure and have it on file with the School Facilities Board. A sample Conflict of Interest form is included in *Exhibit Item I I*.

ARS §38-591. 1. "Public service orientation programs" means educational training about laws relating to the proper conduct of public business, including laws relating to bribery, conflicts of interest, contracting with the government, disclosure of confidential information, discrimination, nepotism, financial disclosure, gifts and extra compensation, incompatible employment, misuse of public resources for personal gain, political activity by public employees, public access to records, open meeting laws and conduct after leaving one's position with the government.

J. Public Hearing Procedures (Standard Practice since June 2004)

ARS §15-2002 (C)(9) requires the School Facilities Board's Executive Director to establish procedures for public hearings consistent with the notice and hearing requirements prescribed in ARS §15-905. The procedures prescribed in ARS §15-905 relate to public hearings on school district budgets. Staff, in consultation with the Board's legal counsel, has adapted the basic notice and hearing requirements of ARS §15-905 for the Board's use. The Board's procedures will apply to public hearings on appeals from prior Board decisions and to applications for land near military airports.

The procedures describe the manner in which a district may appeal an adverse Board decision, the Board's setting a noticing of a hearing, and holding a public hearing, consistent with A.R.S.

§15-905 and 15-2002 (C)(9). The procedures also include required specific provisions that apply when a school district has requested funding for land near a military airport.

A school district may appeal the Board's denial of that school district's request for funding by filing with the Board a written Request for a Public Hearing within ten days of the Board's adverse decision. The request shall be addressed to the School Facilities Board at 1700 West Washington Street, Suite 230, Phoenix, Arizona 85007.

Upon receipt of an appeal as described above, the Board shall promptly schedule a public hearing on the school district's appeal. (see A.R.S. § 15-2002 (C)(9)). A public hearing held pursuant to this Article shall be held on the same day and immediately before a Board meeting.

The Board shall post notice of the public hearings at least ten days before the hearing at the places where the Board's public meeting are generally posted, including on the Board's website. The Board shall also send notice of the hearing date to the school district by first-class mail at least ten days before the hearing. The Notice of Public Hearing is included in *Exhibit Item I. J.*

If the school district's request is for funding for land near a military airport (as defined in A.R.S. §28-8461), and if the Board has not already done so, it shall notify the military airport by first class mail of the school district's application at least thirty days before the public hearing .¹

At the Hearing, the Board may allot a reasonable time for interested person to address the Board.

Decisions of the Board under this Article IV are appealable agency actions pursuant to A.R.S. § 41-1092.

K. Board Members' Electronic Communication and Relationship to the Open Meeting Law

Board members have the option of establishing an e-mail address on the SFB network in order to receive e-mails directly from the public.

Per Attorney General Opinion No.I05-004 located in the *Appendix*: Board members must ensure that the board's business is conducted at public meetings and may not use e-mail to circumvent the OML requirements. When members of the public body are parties to an exchange of e-mail communications that involve discussions, deliberations or taking legal action by a quorum of the public body concerning a matter that may foreseeably come before the public body for action, the communications constitute a meeting through technological devices under the OML. While some one-way communications from one board member to enough members to constitute a quorum would not violate the OML, an e-mail by a member of a public body to other members of the public body that proposes legal action would constitute a violation of the OML.

¹ [As a practical matter, the SFB should already have notified the airport and received the airport's input, if any, by the time of this public hearing, because the Board would have considered the request for land at a prior meeting.]

II. Policy Development

Per ARS §41-1091B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes §41-1033 for a review of the statement.

Note: The Arizona School Facilities Board (SFB) has developed the policies in this manual to facilitate full compliance with Arizona Statutes in the operations of the Board and staff. References to the Statutes in this manual are for information only. Statutes may only be amended by the legislature.

The School Facilities Board is entrusted with the authority to establish policy to administer the Student's FIRST statutes (ARS Title 15, Chapter 16). Board policy establishes the procedures and guidelines for board members, committees, management and staff to conduct the business of the Arizona School Facilities Board.

The purposes of the SFB policies are to:

- Inform the public of the Board's operational goals and processes.
- Establish clear communications between Board, staff and the public.
- Ensure consistency of Board action.
- Ensure ongoing, consistent, proactive policy making.
- Define Board, executive and staff roles.
- Provide clear direction from the Board to staff.

A. Policy Adoption (Standard Practice Summer 2001)

All policy decisions will be made by majority vote of the board and only at board meetings with a quorum present. Before adopting any policy, all board members will receive a copy of the proposed policy for discussion at a Board meeting prior to the meeting at which the vote is to be taken.

Once the Board officially adopts a new Board policy, that policy is the standard for dealing with the subject matter covered by the policy.

The Arizona School Facilities Board (SFB) makes an important distinction between board policies and management policies. Board policies establish the broad parameters within which board, management and staff will operate. The Board is not directly involved with developing management policies. The executive director outlines the specifics of how the organization and staff will operate within board policy. The executive director develops the personnel policies appropriate to his/her staff.

Delegation of Authority to Executive Director (Adoption September 25, 1998)

That the Board delegate authority to the Executive Director or Acting Director as follows:

1. Expend monies appropriated for the administration of the Board
2. Contract for Goods and services related to the administration of the Board

3. Represent the Board to external agencies, including the Legislature
4. Perform any other administrative function necessary to carry out the work of the Board.

B. Source of Policies

Policies may be recommended to the Board by committees of the Board, individual Board members or the executive director. All proposed policies will be researched to ensure that they are legal, and do not contradict already established policy, statutes or rules. If approved by the Board, policies will be written, coded, dated at time of approval and included in all copies of the Board policy manual. All policies proposed to the Board should be tested to consider if the proposed policy: is consistent with current policies; can equitably be applied to all school districts; clarifies an issue of the law; and does not create additional expenditures for which SFB has no authority.

C. Distribution of Policy Manual

A copy of the Board policy manual will at all times be available in the SFB office for review and inspection by employees and Board members. Each Board member will be given a revised policy manual and the manual will be posted on the SFB website.

D. Amendment or Suspension of Policy

All policies will be annually reviewed by the Board or a committee of the Board for accuracy and appropriateness, and recommendations will be made to the Board for amendment, addition or elimination. Except as otherwise provided by law, any policy of the Board may be suspended, repealed, amended, or waived by a majority vote of the Board, provided that at least two regularly scheduled Board meetings advance notice has been given of the intention to consider revocation, repeal, waiver, or amendment.

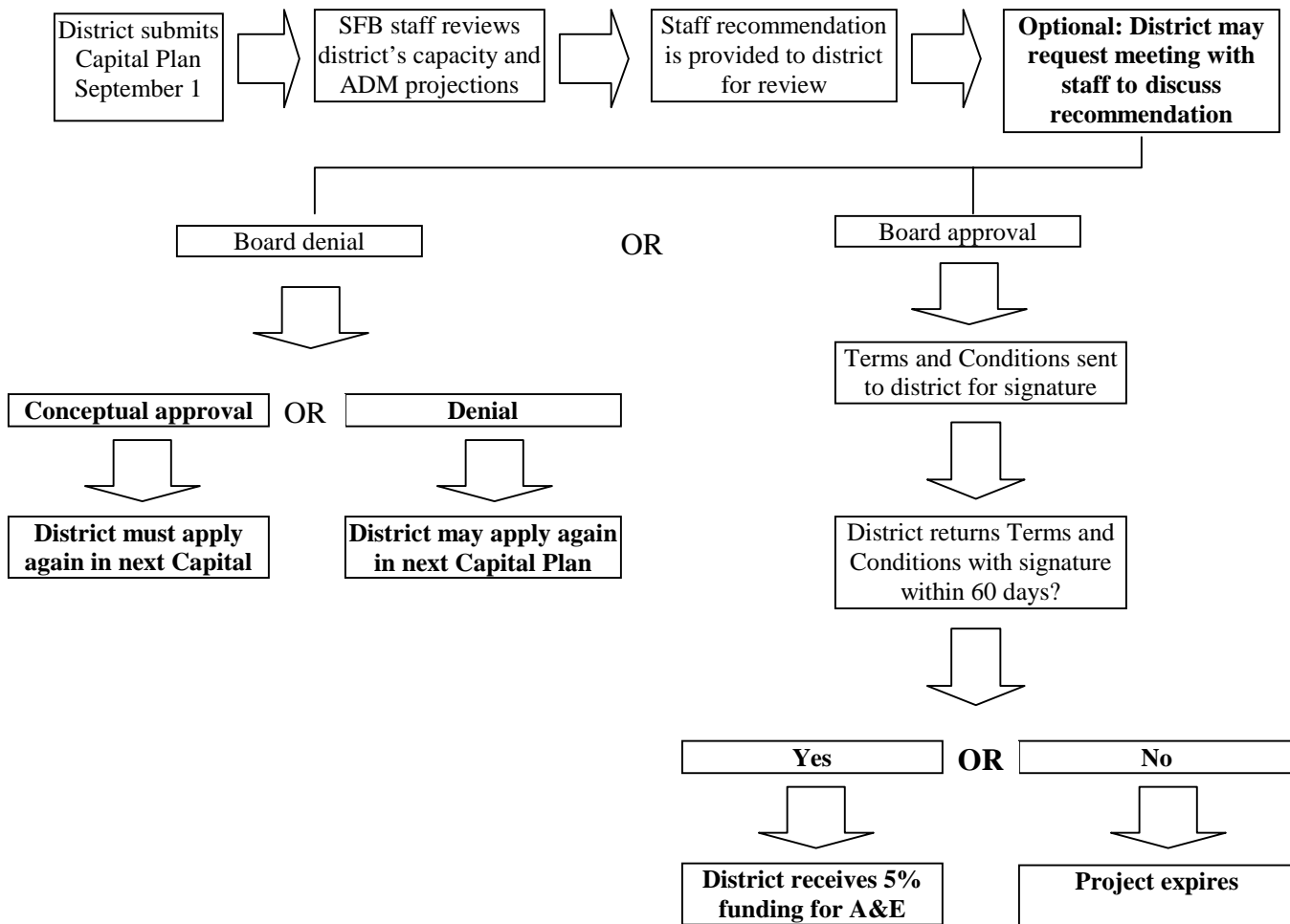
E. Exceptions to Policies

If an exception to a policy is deemed advisable and/or necessary by the Executive Director or Chairperson, such exception(s) shall be reported to the board at its next scheduled meeting. Ratification of such action shall be requested.

III. SFB Capital Plans

Per ARS 41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

Per A.R.S. §15-2041, a district is eligible for new construction if ADM projections indicate that the district will fall below minimum square footage guidelines within two years for an elementary school, or three years for a middle or high school. The SFB may award square footage needed within one to five years for an elementary school, for four to eight years for a middle or high school.



A. Process and Procedures for Reviewing New Construction Requests Received Through Capital Plans (Adopted February 2000)

A.R.S. §15-2041, Arizona Revised Statutes, provides for school district governing boards to develop and annually update a capital plan. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years, the school district is to submit the plan to the School Facilities Board (See *Exhibit Item III.A.* for Capital Plan forms).

- Staff Review: The data submitted by each school district requesting additional square footage under the capital plan will be reviewed by staff to determine student capacity using the adopted working definition. Additionally Board staff will review and verify district student population projections. Staff may develop a separate set of ADM projections based on historical growth and/or anticipated residential development. Staff verifies residential development via site visits, aerial photos, and/or discussions with development specialists. The Board's staff will prepare a New Construction Analysis for each district submitting an application.
- Board Approval: Staff recommendations will be presented to the Board for approval. At the time the Board is making its decision, the New Construction Analysis will be available to the School Facilities Board members and the applicant school district. The applicant school district may address the Board.
- District Notification: Upon approval by the Board, the Board's staff will notify the applicant school district of the action. The school district will have 60 days from the date of notification to officially accept, in writing, funding for the square footage approved by the Board or the approval will expire. Acceptance of the funding is signaled by agreement with the Terms and Conditions (see *Exhibit Item III.A.2.* for Terms and Conditions)

B. Student Capacity Process and Working Definition (Adopted February 1999)

- The first phase of the working definition of student capacity is a mathematical formula. (See separate document for specific formula.) Staff will calculate district student capacity using the mathematical formula, to evaluate requests for new construction.. Board staff may prorate the mathematical formula to account for differing grade configurations.
- The second phase of the working definition of student capacity is the option of a school district to reject the mathematical calculation and request to be placed on the agenda for consideration of student capacity based on atypical spaces adjustment or atypical school analysis. Generally, atypical spaces are unusual spaces for the size and type of school that have a permanent impact on the ability of the physical school to serve the mathematically determined student capacity. The Board may consider remodeling of these spaces.
- If the school district rejects the mathematical calculation of student capacity, staff will work with the district to prepare a recommendation for the Board using the atypical spaces adjustment methodology or atypical school analysis. Examples of atypical spaces are excessive interior circulation or an elementary school gymnasium. An example of an atypical school is multiple small high schools in a large high school district.

- In conjunction with determining the working definition of student capacity, a school district may request consideration by the Board of additional space requirements that increase the need for new construction. Generally, additional space requirements are associated with the population of students (ADM) being served at the time but do not impact the physical capacity of the school to serve an "average" student population. Consideration of additional space requirements may be appropriate regardless of whether the mathematical or an alternative calculation is used for student capacity.
- If a request for consideration of additional space requirements is made, staff works with the district to prepare a recommendation for the Board. Examples of these types of space requirements are additional required spaces used solely for state or federal entitlement programs, a grade configuration of pupils that does not readily allow distribution of pupils into available classrooms or additional square footage required to avoid unusual or excessive busing or unusual school attendance boundary changes. This policy does not permit allocation of additional space to compensate for spaces that are used for purposes outside the scope of the equalization base (i.e. full day kindergarten, preschool programs other than disabled).
- The Board may accept, reject or modify the staff recommendation.
-

Working Definition

Elementary Grades P-6

FORMULA: $(TGSF - ES - .1ICB) / ((MAGSFPP + DSFPP) / 2)$

Middle Grades 7-8

FORMULA: $(TGSF - ES - .1ICB) / 100$

High School Grades 9-12

FORMULA: $(TGSF - ES - .1ICB) / ((MAGSFPP + DSFPP) / 2)$

- TGSF - total gross square footage
- ES - excludable spaces
- ICB - interior corridor buildings
- MAGSFPP - minimum adequate gross square footage per pupil
- DSFPP - design square footage per pupil

Board staff may prorate the mathematical formula to account for differing grade configurations.

The proposed mathematical calculation of student capacity is a proxy for the concept described below.

The initial premise for the mathematical calculation of student capacity was to use the statutorily prescribed design square footage per pupil to determine the design capacity of a school. The concept also incorporates the idea established in the original legislation that districts have the ability and are required to accommodate some students in excess of the design capacity of each school before qualifying for additional square footage. During initial development of the

mathematical formula this concept manifested in a calculation designed to increase calculated design capacity to account for the additional students a district can accommodate before requiring additional square footage.

Because the percentage difference between the statutorily prescribed MAGSFPP and DSFPP varies depending on the size of district and grades served, increasing the design capacity by the same percentage for all schools was not workable. Consequently, the approach of increasing the design capacity by a percentage of the difference between MAGSFPP and DSFPP was developed. As can be seen from the table below, the percentage difference between MAGSFPP and DSFPP generally accounts for both types of school district efficiencies:

- The ability of larger school districts to accommodate a higher percentage of students in excess of design capacity before requiring additional square footage.
- The greater ability of districts serving higher grade levels to accommodate a higher percentage of students in excess of design capacity before requiring additional square footage.

GRADES / # PUPILS IN DISTRICT	MAGSFPP	DSFPP	PERCENT DIFFERENCE
P - 6	80	90	11.1
7 - 8 (UP TO 800)	84	100	16.0
7 - 8 (>800)	80	100	20.0
9 - 12 (UP TO 400)	125	134	6.7
9 - 12 (400 - 1000)	120	134	10.4
9 - 12 (1000 - 1800)	112	134	16.4
9 - 12 (>1800)	94	125	24.8

The mathematical formula recommended by staff is a simplified formula used as a proxy for this concept at 50 percent of the difference between MAGSFPP and DSFPP. Essentially, the calculation to increase the mathematical design capacity of a school by 50 percent of the difference between the minimum adequate gross square footage per pupil and the design square footage per pupil is approximately the same as dividing square footage by the midpoint of the per pupil square footages. Additionally, the formula recommended by staff allows an exclusion for ten percent of a building with interior corridors to adjust for the square footage in these buildings that does not exist with exterior circulation.

At its February 4, 1999 meeting, the Board accepted the formula recommended by staff except for Grades 7-8. For Grades 7-8 the Board approved using "100" in the formula rather than " $((\text{MAGSFPP} + \text{DSFPP}) / 2)$ ".

In addition the Board instructed staff to allow for the proration of the mathematical formula to account for differing grade configurations.

C. Capacity of a Core Facility

Even though the district is funded to build 65% of the entire school, the SFB staff only uses 50% of the square footage against the district in the capacity analysis. Another way to explain this method is to multiply one-half of the number of students by the design square footage for that grade level.

D. Policy on Build-out of Core Schools (Adopted April 2003)

A district must be approved to build out a core school prior to the SFB approval of a new school for the same grade configuration.

Note: In August 2003, the board voted to discontinue approval of core schools.

E. Calculation of Square Footage for New High Schools

This method is used to calculate student capacity for districts that have only one high school and current high school populations of less than 1,800 students. This bases the minimum square footage per pupil and the design square footage per pupil on the current year high school ADM. These minimum and design square footages per pupil would be unchanged into the future for the current year's new construction cycle. When the district submits its capital plan the next year, the minimum square footage used to calculate student capacity will be based on the actual high school ADM for that year.

The table in *Exhibit Item III.E.* illustrates the method on a high school that was awarded with a maximum capacity of 1,843 students in fiscal year 2002 will have a maximum capacity of 1,843 students through fiscal year 2007. In this case, the district would qualify for additional square footage in fiscal year 2005. Otherwise, the district would not qualify for a new school until FY 07.

F. Use of Unrestricted Capital Funds (Adopted October 1999 as part of proposal presented by Marana Unified. Modified February 3, 2000 by adding unrestricted capital outlay monies.)

When a school district adds square footage to the district through the construction of a new school using Class B bonds or unrestricted capital outlay monies, the School Facilities Board does not include the square footage of the new school in the gross square footage of the school district for purposes of determining needs for additional square footage and building renewal distributions, unless it exceeds 25% of the minimum square footage requirements per A.R.S. §15-2011 E.6. This policy does not address replacement square footage funded with Class B bonds or unrestricted capital outlay monies or authorize the elimination of square footage anywhere in the district.

The following items apply to the use of Class B bonds and/or unrestricted capital outlay monies to add to or replace square footage at existing schools.

- A. When a district adds square footage to an existing school with the use of Class B bonds or unrestricted capital outlay monies, the square footage will not be included in the determination of minimum adequate square footage, but the Board will consider the

additions for purposes of determining adequacy of the functional components of the school as specified in the Building Adequacy Guidelines.

B. When a district both removes and adds square footage with the use of Class B bonds or unrestricted capital outlay monies, the net additional square footage will not be included in the determination of minimum adequate square footage, but the Board will consider the net additions for purposes of determining adequacy of the functional components of the school as specified in the Building Adequacy Guidelines.

C. For the purposes of computing Building Renewal, replacement square footage constructed with Class B bonds or unrestricted capital outlay monies will be included, but net additional square footage will be excluded. Replacement square footage is defined as square footage constructed with Class B bonds or unrestricted capital outlay monies that replaces existing square footage.

D. If additional square footage is added to an existing school with the use of Class B bonds or unrestricted capital outlay monies, the student capacity of the facility after completion of the project will be determined in the same manner as it would have been determined prior to the addition. If Class B bonds or unrestricted capital outlay monies are used to construct a complete replacement school, the student capacity of the facility once the project is completed will be based on the statutorily prescribed minimum adequate per pupil gross square footage.

Staff Note (3/17/00) regarding Unrestricted Capital Outlay: Unrestricted Capital Outlay became a part of the capital outlay section of a school district's budget beginning with FY 1999-2000. Therefore, square footage constructed with Unrestricted Capital Outlay will apply only to those projects begun on or after July 1, 1999.

G. Additional Square Footage through Bonds (Adopted September 1999)

When a school district adds square footage to the district through the construction of a new school using Class A bonds, the School Facilities Board does include the square footage of the new school in the gross square footage of the school district for purposes of determining needs for additional square footage and building renewal distributions. This policy does not address replacement square footage funded with Class A bonds or authorize the elimination of square footage anywhere in the district.

When a school district adds square footage to the district through the construction of a new school using Class A bonds, the School Facilities Board may not provide funding to supplement the school construction. When the School Facilities Board provides monies so that a school district may add square footage to the district through the construction of a new school, the district may use Class A bonds to supplement the project.

H. Excludable Spaces Policy (Adopted December 1998)

For purposes of determining the current district square footage per pupil to be compared to the minimum adequate gross square footage requirements, the square footage at a school site used solely for district administrative purposes may be excluded from the gross square footage. This policy is applicable regardless of whether methodology a (gross square footage) or methodology b (student capacity) is used for determining square footage.

I. Definition of Administrative Purposes (Adopted August 1999)

For the purposes of Sections 15-481, B, 12, (b) and 15-491 H, 5, (b), and 15-491 I, 4, (b) Arizona Revised Statutes "administrative purposes" means solely district administrative purposes.

These sections apply to the publicity pamphlet for Class B Bond, Impact Aid Revenue Bond, and Capital Override elections. Section 15-481, B, 12, requires:

No later than thirty days before an election conducted pursuant to this section, a school district shall mail to each qualified elector in the school district a publicity pamphlet. The publicity pamphlet shall contain at a minimum, the following information:

- An executive summary of the school district's most recent capital plan submitted to the school facilities board. (See *Exhibit Item III.I* for the Capital Plan Executive Summary format).
- A complete list of each proposed capital improvement that will be funded with the budget increase and a description of the proposed cost of each improvement, including a separate aggregation of capital improvements for administrative purposes as defined by the school facilities board.
- The tax rate associated with each of the proposed capital improvements and the estimated cost of each capital improvement for the owner of a single family home that is valued at eighty thousand dollars. "

J. School Districts included in Rural Area (Adopted March 1999)

As the School Facilities Board begins the process of funding new school construction, one of the areas it must address is the determination of "rural," as defined in statute, in order to compute a base cost per square foot.

The Students FIRST legislation provides a square footage per pupil and a base cost per square feet for new construction. The base cost per square foot was originally established in §15-2041, D, 3, c at the following levels:

Grade Level	Cost per Square Foot
Pre-school w/ disabilities; K-6	\$90
7-8	\$95
9-12	\$110

These costs are to be adjusted for inflation by JLBC at least once per year.

The statute then states "The school facilities board shall multiply the cost per square foot by 1.05 for any school district located in a rural area. The school facilities board may modify the base cost per square foot prescribed in this subdivision for particular schools based on geographic conditions or site conditions. For purposes of this subdivision, "rural area" means an area outside a thirty-five mile radius of a boundary of a municipality with a population of more than fifty

thousand persons according to the most recent United States decennial census. "

Staff worked with the State Land Department to determine which districts would be categorized as rural. Based on the 2000 census (the most recent United States decennial census) eleven Arizona cities had populations in excess of this threshold: Chandler, Flagstaff, Gilbert, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Tempe, Tucson and Yuma. City boundaries were determined as of 2003 and radii were plotted from these boundaries. If a school district's boundary was outside the radius, it was deemed to be located in a rural area. A table of Rural vs. Urban districts is provided in *Exhibit Item III J*.

K. Geographic Exception Policy (Adopted December 2000, Expanded January 2006)

In those public school districts where students are transported one hour or more via the most reasonable and direct route or where students reside 45 miles or more from the closest school via the most reasonable and direct route, and where 100 or more students are affected by these conditions within the same region, the School Facilities Board will provide additional school space to the district to accommodate the educational needs of the affected students. However, the educational space provided may be modified as the Board sees fit in making a conscientious effort to meet the Minimum Adequacy Guidelines without requiring extraordinary expenditures of public funds.

If an elementary school district that is not in a high school district unifies after June 30, 2005, the resulting unified school district may qualify for high school space under ARS 15-2041 if it meets the following criteria:

1. The elementary school district unifies after June 30, 2005 and
2. The resulting unified school district is projected to have more than 350 resident high school students being served in school districts other than the student's resident school district within the three-years following the current fiscal year and
3. One of the following is true: At least 350 of the high school students would travel for at least 20 miles to the receiving school facility or

The school district that is expected to receive the majority of the projected resident high school students is projected to need additional high school space within seven years. For purposes of this analysis, the projected ADM of the receiving district should include the high school students of both the receiving and sending districts.

L. Policy on New Construction Award Cancellations (Adopted February 2005)

This policy allows districts the opportunity to cancel a project. This process will address projects that are delayed due to overstated ADM projections. Other delays including land issues will be addressed by adding inflation dollars as necessary according to the Policy on Inflation Adjustments. The recommended cancellation process is as follows:

- If a district becomes aware that an approved new construction project will not be constructed for some time, the district may request the cancellation of that project in

their annual capital plan. SFB staff will review the requests and make a recommendation to the Board on cancellation.

- The square footage associated with the project that the district is requesting to be cancelled will be included in the review of the capital plan that includes the cancellation request.
- The Board will act on the cancellation recommendation at the same time the Board reviews the district's capital plan.
- If the cancellation of the project will leave the district below the minimum square footage guidelines within one-year, the project will not be eligible for cancellation.
- The district can request the reestablishment of the project in any capital plan subsequent to the cancellation. Districts may not seek to cancel and reestablish the same project in the same capital plan.
- If the project is reestablished, it will be awarded at the current cost per square foot.
- Any funds distributed for a project that is ultimately cancelled will be deducted from the award of the next project of same configuration.

M. Concept and Advance Approval of New Construction Projects

Under the current new school construction process, districts submit a Capital Plan and New ADM/enrollment forecast, a description of the projects requested, and information regarding parcels of land owned by the district.

This packet is the basis for staff consideration and recommendations to the Board for new school and/or additional space funding within a three-year window. Under the current process, districts reapply for new school funding for schools to be opened beyond the three-year window by submitting a new packet in September.

Conceptual Approval Process Description

Staff develops a seven-year New Construction Plan based on the capital plan packets submitted by the districts. The New Construction Plan identifies the projects requested by the districts and recommended by staff, as well as the year each project is recommended for construction. The Board would then be asked to approve funding for those schools recommended for the first two (funded) years of the New Construction Plan, and to *conceptually* approve the remainder of the Plan. This conceptual approval is constructed so that there is no commitment of funding beyond the first three years of the New Construction Plan, but is simply an acknowledgement by the Board of anticipated new construction needs based on current assumptions regarding future enrollment in each district.

Each year the approved New Construction Plan would become the basis for updating new construction requests from the district as part of the following fiscal year's capital plan. The Board-approved New Construction Plan would be distributed to districts in late summer, with

instructions to update new construction requests based on the latest enrollment information, and other pertinent data. This updated Plan would then become the basis to begin the cycle over again the following fiscal year.

N. Policy on Accommodation Districts (Adopted November 9, 2005)

In approving new construction projects for Accommodation Districts, the Board requires the following items prior to award:

- A detailed needs assessment based on available data
- An agreement from the school districts within the County that they cannot provide this type of program as a result of lack of space
- The Accommodation District must show a steady history of ADM over the past five years
- A commitment from the County Board of Supervisors to funding and personnel for this program

IV. Land Acquisition

Per ARS §41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

Per ARS §15-2041 F: The school facilities board shall distribute the monies needed for land for new schools so that land may be purchased at a price that is less than or equal to fair market value and in advance of the construction of the new school.

A. Application Process for Funding of Land (Adopted March 4, 1999)

To acquire land, either through a purchase or donation, the board follows a three-step process.

Step I. Justification of Need for Land

When a school district has been approved for new construction by the Board, it may request land for the new construction, if necessary. District ownership of land does not necessarily prevent the district from receiving funds for new land. The district must demonstrate that the district-owned property is not suitable for the needed new school.

Step II. Request to Acquire a Specific Site

The District initiates the land acquisition process by locating a parcel of land they wish to acquire and submitting that request to staff. Requests for donations and purchases are shown in *Exhibit Item IV. A.*

A. Justification of selected site The district must provide a map of the district showing current schools and the projected student population, grade levels served and attendance boundaries in various locations in the district, which supports the location of the new school at the requested site. The district must also provide a listing of vacant parcels currently owned by the district (including the size of each parcel and its location), describe the site selection process, explain why this site was chosen over alternative sites, and summarize any joint use provisions or other intergovernmental agreements related to the site. The district must also provide a legal description of the desired site, the size of the site and an estimate of the cost of the site. The district may also provide information on more than one site.

B. Size of site The range of acreage table approved by the Board is provided to allow districts some leeway in site selection. Districts will need to provide special justification if the site size is not within the range shown on the following table. It is not expected that allowances will be made for additional acreage for limited use activities that are only remotely related to the teaching and learning enterprise. Limited use activities would include, but not be limited to, athletic fields that are only used for interscholastic competition rather than daily activities, and non-school related community functions. The site size will be based on the eventual size of the school, if expansion is planned. The district may request a larger or smaller site if conditions require. The district may purchase additional acres with local funds. Districts should give careful

consideration to joint-use sites such as those which adjoin community parks and play grounds. The ranges indicated are not intended to dictate a minimum acreage if planned use can be designed to include cooperative development.

C. Information cost estimate If a school district needs monies to verify, gather and submit the information required in Step III, it must submit a cost estimate. Rather than allocating monies to a school district to verify, gather and submit information required in Step III, the Board may approve the SFB staff to select an entity to verify, gather and submit information required under Step III for a school district, in which case the entity will be paid directly by the Board. After reviewing the recommendation, the Board will preliminarily disapprove or approve the site.

Step III. Additional Information Required

After the completion of Step II, if the school district receives preliminary approval by the School Facilities Board to accept the site, the Board will approve monies to allow the district and staff to verify, gather and submit the following information about the site. Preliminary approval by the Board will also result in monies being allocated to cover closing costs. The district will provide documentation of the actual expenditures from the monies provided.

1. An appraisal of the land that documents that the proposed cost is at or below the fair market value.

Two appraisals are ordered for all land purchases, one is ordered for donations. Appraisals can typically be completed in 4-6 weeks.

2. Legal description

3. Level one environmental assessment, plus the following factors (if not included):

- Hazardous materials
- Archaeology: to be submitted to the State Historic Preservation Office for review and approval
- Endangered flora and fauna
- Noise
- Soil conditions
- Adjacent land owners and/or uses

Environmental Assessments typically take 4-6 weeks to complete.

4. Boundary and Topographical Survey

5. Drainage statement

6. Site development cost

7. Photographic survey (if required by planning and zoning departments)

8. Feasibility site diagram - conceptual study by a design professional illustrating proposed development of the site (based on the eventual size of the school, if there are plans for expansion), indicating:

- Property lines and measurements
- Setbacks, right-of-ways, and easements
- Vehicular access and parking
- Pedestrian and bicycle access
- Building zone
- Drainage concept
- Utility routes or systems
- Activity fields and courts

- Limit-lines and calculation of useable area
- Existing features to be demolished or preserved
- Future expansion capability

Step III Expenses are capped at \$18,000 for an elementary site and \$23,000 for middle and high school sites. Final distribution of monies to purchase the site may be made if Step III reveals no serious problem with the site. If the actual cost of the site does not exceed the Board approved amount the Executive Director may make the final determination of site funding without further action by the Board. The district will provide documentation of the actual expenditures from the monies provided and the actual closing costs within 60 days of the final distribution. The Board may approve actual expenditures that exceed the monies provided by up to ten per cent. Expenditures exceeding this amount require approval by the Board. If the site is rejected as a result of information gathered in Step III, the district repeats Steps II and III with a new site.

Additional Items

A. The proposed process was developed based upon the purchase of undeveloped private land. The Executive Director is granted authority to deviate from the process to meet other circumstances as they arise, such as purchasing state-owned land, condemnation, etc. and bring such recommendations to the Board.

Site Size Requirements (Useable Acres)

Although there are many variables in the purchase of land, the acreage required for an elementary (K-6) school is generally less than that required for a middle (K-8/7-8), or a high school (9-12). The following is a breakdown by grade level and number of students of the suggested acreage requirements:

	Elementary School		Elementary, Middle and Junior High School		High School	
Grade Levels	Preschool w/ Disabilities, Kindergarten, and Grades 1-6		Preschool w/ Disabilities, Kindergarten, and Grades 1-8		Grades 9-12	
Approved Useable Range (minimum - maximum)	Students	Size (Acres)	Students	Size (Acres)	Students	Size (Acres)
	249 or less	up to 8	249 or less	Up to 18	249 or less	Up to 30
	250 - 449	5 - 9	250-399	6-22	250-599	15-35
	450 - 649	6 - 10	400-599	8-24	600-999	20-40
	650 - 849	8 - 12	600-799	10-26	1000-1399	25-45
	850 - 1049	10 - 14	800-999	12-28	1400-1799	30-50
	1050 -1249	12 - 16	1000-1199	14-30	1800-2199	35-55
	1250 or more	14 - 18	1200-1399	16-32	2200-2599	40-60
			1400-1599	18-34	2600-2999	45-65
			1600 or more	20-26	3000 or more	50-70

B. Land Funding Timeline (Standard Practice 4/3/03)

The following are timelines for the funding of land for new schools, based on the school student grade configuration. These guidelines should be used as a tool to underscore and lend consistency to the individual analyses conducted on land requests. Grade configurations of K-6; K-8/7-8; and 9-12 are utilized as these are consistent with both school configurations and land acreage sizes that the Board utilizes for procurement of land.

The following is a breakdown by grade level of the timelines in allowing Districts to proceed with the SFB land acquisition process:

- K-6 - staff recommends that land be provided for new schools that are proposed to open two years beyond current SFB funding.
- K-8 & 7-8 - staff recommends that land be provided for new schools that are proposed to open two years beyond current SFB funding.
- 9-12 - staff recommends that land be provided for new schools that are proposed to open three years beyond current SFB funding.

While the Board believes that this proposed timeline is acceptable for the majority of situations, especially in rural districts and for urban K-6, K-8, and 7-8 schools, land issues (especially high school) will still require a case-by-case review. For example, the proposed guidelines will not serve urban needs that do not have a number of available parcels to accommodate 40-50 plus acre high school sites.

C. Land Donations

Under the Students FIRST law, the SFB provides to each district receiving an approved donation a 20% unrestricted capital contribution for the appraised value of the donated parcel, up to the maximum SFB authorized acreage for the type and size school involved. This donation factor is awarded to the school district upon commencement of construction. Additionally, a state tax credit may be available to the entity donating land.

The donated real property must be at an appropriate school site approved by the School Facilities Board and must be usable for academic purposes. Donated real property may be in the form of land, facilities or both. For a facility donation, the 20% contribution is based on the lesser of the cost per square foot or the cost per square foot prescribed in section ARS §15-2041. The distribution of 20 percent of the value of the accepted donation will be awarded to the school district upon commencement of construction.

1. Elementary Sites within a Development

The board requires that, at a minimum, a significant portion of an elementary school site be donated, for a school that is to be located within a developer's project. As a matter of record, staff has infrequently recommended a full purchase of an elementary school site, and this has generally been for unusual circumstances or rural school locations, where development does not occur in large sub-divisions.

D. Process for Acquiring State Land

Districts may work with the SFB to acquire State Land. Districts must be approved for New Construction by the SFB before the State Land Department will begin the acquisition process. Districts must first apply to the State Land Department; the SFB will then sign off on the application. The process takes about 18 months to complete as State Land requires several conferences, an advertising period, and various testing of the property. The SFB recommends Districts pursue "Educational Beneficiary Land" as there is a lesser chance of being outbid.

E. Leasing of Land

Per ARS §15-2041(F), the Board may distribute monies for land to be leased for new schools if the duration of the lease exceeds the life expectancy of the school facility by at least fifty per cent. In addition, the School Facilities Board has the statutory authority to distribute monies to school districts for the acquisition of land for new schools provided the Board determines the school district will need land within the next ten years (A.R.S. §15-2041 C).

F. Development within a Military Air Force Base's Noise and Accident Potential Zones

Per ARS §15-2041 (J), the Board's consideration of any application filed after July 1, 2001 or after December 31 of the year in which the property becomes territory in the vicinity of a military airport or ancillary military facility as defined in ARS §28-8461, for monies to fund the construction of new school facilities proposed to be located in territory in the vicinity of a military airport or ancillary military facility shall include, if after notice is transmitted to the military airport pursuant to §15-2002 and before the public hearing the military airport provides comments and analysis concerning compatibility of the proposed school facilities with the high noise or accident potential generated by military airport or ancillary military facility operations that may have an adverse effect on public health and safety, consideration and analysis of the comments and analysis provided by the military airport before making a final determination.

G. Pesticide Covenants

Per ARS §3-365 requires that pesticides with odoriferous characteristics not be applied within one-fourth mile of a school. The District needs to provide Pesticide Restrictive Covenants for all parties within a ¼ mile radius of the subject property. It is the responsibility of each district to see that the document is properly executed and recorded with the appropriate county recorder.

H. Improvements Not Covered by the SFB

The SFB generally does not fund any off-site improvements to a school site with New Construction monies. Districts may use Adjacent Ways monies to fund these items.

I. Use of Class A or B Bond Funding to Construct a School on SFB Acquired Land (Adopted March 9, 2000)

Construction of School Facility Using Class A Bonds

The School Facilities Board may purchase land or lease state land for a school facility needed within the next ten years. A school district may construct a school facility on the land using

Class A Bonds. The square footage of the new facility is included in the gross square footage of the school district for purposes of determining needs for additional square footage and building renewal distributions.

Construction of School Facility Using Class B Bonds

The School Facilities Board may purchase land or lease state land for a school facility needed within the next ten years. A school district may construct a school facility on the land using Class B Bonds. The square footage of the new facility is not included in the gross square footage of the school district for purposes of determining needs for additional square footage and building renewal distributions. The school district must also understand and agree that since the district is building a school facility with Class B Bonds on a site funded by the School Facilities Board for a needed school, that when the district does qualify for a new school funded by the School Facilities Board that the School Facilities Board will not lease or purchase an additional site for that school.

J. Attorney Fees for Districts (Standard Practice April 3, 2003)

It is the Board's policy not to approve or pay for district legal expenses including condemnation proceedings. Additionally, the Board has a long-standing precedent not to reimburse districts for any costs incurred, without the Board's prior approval and/or authorization

K. Disposition of Land

For a sale of property acquired by a school district prior to July 9, 1998, a school district shall transfer to the school facilities board that portion of the proceeds that equals the cost of the acquisition of a more suitable school site. If there are any remaining proceeds after the transfer of monies to the school facilities board, a school district shall only use those remaining proceeds for future land purchases approved by the school facilities board, or for capital improvements not funded by the school facilities board for any existing or future facility.

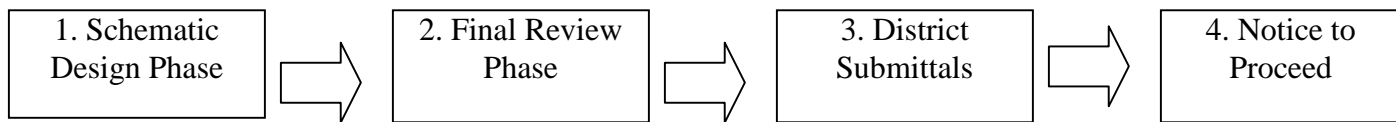
Per ARS §15-2041 F: The proceeds derived through the sale of any land purchased or partially purchased with monies provided by the school facilities board shall be returned to the state fund from which it was appropriated and to any other participating entity on a proportional basis.

V. SFB New Construction

Per ARS 41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

Section 15-2041, Arizona Revised Statutes, provides for school district governing boards to develop and annually update a capital plan. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years, the school district is to submit the plan to the School Facilities Board.

Once the district has an approved capital plan, they may begin designing the school. The process is as follows:



1. Project Schematic Design Phase

1. Two budget review meetings are held between SFB and district officials for schematic design and design development.

2. Final Review Phase

1. District submits final bid documents for review
2. Staff reviews ADM once more to ensure need for a facility
3. Request goes to Board for final approval

3. District Submittals

1. District submits copy of local and/or state grading, fire marshal, and building permits
2. District submits governing board resolution for additional funds (if applicable)
3. District provides full/complete PDF specification and document drawings, copy of sealed construction documents used to obtain verification of proper building permits for school on electronic CD

4. Notice to Proceed

1. Director sends a letter to the District giving approval to proceed with construction. (Letter will include memorandum on payment process, payment request and payment request schedule.)

A. Process and Procedures for Reviewing New Construction Requests Received Through Capital Plans

1. Project Specifications: A school district that receives approval for additional square footage from the Board will proceed with the design development plan and specifications for the project. Two copies of the proposed educational goals or specifications and schematic design, with budget estimates are required to be submitted to the Board's staff. Each item should be submitted by the school district to Board staff as completed. The items required to be included in the estimated budget are all elements of new construction, excluding land acquisition. These elements include, but are not limited to (1) architectural and engineering fees; (2) survey, testing, permits, advertising and printing; (3) construction costs; (4) furniture, fixtures and equipment; (5) any necessary project management and (6) a five percent contingency amount. After Board staff review, the school district shall proceed with a preliminary bid package.
2. Board Authorization to Proceed: Upon review of the submitted schematic design, budget estimates and preliminary bid package, the Board's staff will make a recommendation to the Board regarding the appropriateness of the school district to proceed with the additional square footage and the efficiency and effectiveness of the plan. The Staff recommendation is based on whether the project is within the original scope and Board approved budget (including square footage and number of students), the project meets the building adequacy standards, initial comments from the local building authority and whether updated student population projections continue to justify the additional square footage. If the Board approves the project, the school district is authorized to proceed with the final bid package. Prior to authorization to contract the school district will have documented that it has obtained local (city, county or equivalent) building department approval. For projects outside of the original scope and/or Board approved budget or that do not meet the minimum adequacy guidelines, staff may instruct the school district to resubmit the project. Staff may make an alternative recommendation to the Board. Local funds may be used by the school district in conjunction with the Board approved funding.
3. Final Authorization to Contract: Upon receipt of bids by the school district, staff may authorize the district to proceed with the contract if the school district has documented that it has obtained local (city, county or equivalent) building department approval. If the bid is outside of the original scope, exceeds the Board approved budget or does not meet the building adequacy standards, staff may make an alternative recommendation to the Board. . Local funds may be used by the school district in conjunction with the Board approved funding.
4. Distribution of Funds: After a school district has received notification and agreed to the Terms and Conditions , the Board will provide five percent of the monies approved for architectural and engineering fees. The individual school district is responsible for establishing the actual A&E amount.
5. After a school district has received final authorization to contract, additional monies will be distributed. Payments will be made on a timely basis based upon the school district's need supported by documentation from the district.

If a school district can establish that it will receive funds from the new school facilities fund in excess of what it will cost to complete the project in accordance with the building adequacy standards, the school district can access those surplus funds prior to the completion of the project in order to implement change orders OR OTHER EXPENDITURES to exceed the original scope of the project upon receiving approval of the Executive Director if the request is under \$1.0 million, or the approval of the Board if the request is \$1.0 million or over.

Further distribution of funds will be made after the Board's staff has received, reviewed and approved the permits (local and/or State Grading, Fire Marshal, and Building) and the specifications and document drawings of the sealed construction documents used to obtain the permits. Staff will load the full project funding to include: base, contingency, additional, district and any other funding.

District funding is only loaded if the district is participating in the funding of the project. This may occur at the onset of the project or when the project is underway and the district adds work to the project for which the SFB has not or cannot provide funding.

To obtain funding, the district submits invoices and/or pay applications along with the New Construction Funding request form. The form must include the complete project number to assure that the costs are appropriately credited.

Change Orders - If during the project it becomes necessary for a change order to be issued, the change order must be submitted to the district's SFB liaison for approval. Upon receiving approval the funds will be moved from the contingency line item (or wherever it is appropriate) to the base so that costs can be charged against it. If the change order is strictly a district cost, funding will be added to the district line to account for that cost.

Cost Sharing – Due to the type of project required and the statutory limitations on the SFB, the district may have elected to participate in the cost of the project. This will result in a percentage split. The percentage assigned to the district is based on the proportionate share of the base, contingency and district funding, that is, the total cost of the actual construction of the project. If during the project, the funding distribution changes, the percentage charged to the district will also be adjusted. When a bill is submitted that falls into this category, the district percentage is computed against the entire bill and the costs is distributed accordingly. The split of the funding is recorded and only the SFB portion of the costs is electronically transmitted to the district.

B. Policy on Project Management Services for New Construction

A school district that does not have the experience or resources to successfully oversee a new school construction project may request technical support from the School Facilities Board in the form of project management pursuant to A.R.S. § 15-2002(13).

If the Board approves the school district's request, the school district shall agree to reimburse the Board from its allocated funds for the cost of any independent contractors that the Board uses to provide the project management services.

A.R.S. § 15-2041 (D) to reflect that if the Board modifies the cost per square foot award based on geographic or site conditions, and a district has utilized project management or preconstruction services for the project, the Board may deduct the cost of these services from the additional monies awarded the school.

However, if the school district demonstrates in writing to the Board's satisfaction that the school district does not have the experience or resources necessary to successfully complete the new school construction project, the Board may provide the school district with monies to pay for the project management services in addition to the monies the school district receives pursuant to the statutory formula prescribed by A.R.S. §15-2041.

1. The cost of the project management shall be made a part of the overall cost of the new school, and those funds shall be derived from the total allocation for the project provided by the School Facilities Board.
2. Should the district funds satisfy the base cost of the new school plus the cost of project management, then the School Facilities Board will not provide any additional funds.
3. In the event that a school district does not request project management services, but in the opinion of the staff of the School Facilities Board the project is in jeopardy without such professional systems, the executive director may notify a district that the project requires the use of private management services and the district's allocation shall be assessed for costs incurred for these services.

C. Architectural Fee Guidelines (Adopted January 1999)

These guidelines are to be used to determine the Lump Sum Architectural & Engineering (A&E) fees for "Basic Services" for all SFB projects, including both New Construction and Deficiency Correction projects. ** These are guidelines, not a schedule **.

The A&E fee for an individual project should be determined by both the difficulty and the estimated cost of the project. In New Construction projects, the fee should be determined by the square foot times the formula cost of the planned facility or project (Construction Cost) multiplied by a factor determined by the size and complexity of the scope of the project. See below both "Project Types" (to determine the difficulty of the project) and the "Fee Guidelines Multiplier" (for the percentage multiplier) to determine the project's fee.

Basic Services: The architectural contract should identify and include all of the services necessary to design and construct the project under "Basic Services" without any hidden or unknown cost. The services to be included as part of the contract as "Basic Services" shall consist of architectural, structural, mechanical, electrical, civil, and landscape design. The descriptions of these services are described in the American Institute of Architect (A.I.A). Document B141, "Standard Form of Agreement Between Owner and Architect (1987 Edition)", Article 2, and Add, Modified and/or Delete paragraphs 2.6.5, 2.6.5.1, 2.6.15.1, 3.2, 3.2.1, 3.2.2, 3.2.3, 3.3.1.2, 3.3.1.3, 3.3.3, 3.3.4, 3.3.6, 3.3.9, 3.4.1, 3.4.4, 3.4.9, 4.6.1, 4.6.1.1, 5.2.2, 5.2.3, 8.6, 8.7.1, 8.7.2, 8.7.3, 10.2.1.1, 10.2.1.2, 10.2.1.4, 10.2.1.6

(Please REFER TO the SFB provided ENCLOSED SAMPLE DOCUMENT).

Lump Sum Fee:. This is a fixed A&E fee that is based on a percentage of the estimated cost of construction for the approved project specified for a defined scope of work.

Construction Cost: The cost of construction includes the cost of the construction of the building, site improvements, and all fixed and installed equipment. It does not include Furniture, Fixtures & Equipment (FF&E), testing, surveys, permits, land cost, studies, contingencies, or A&E fees.

Project Types:

Group A - MORE THAN AVERAGE COMPLEXITY PROJECTS: New complex stand-alone facilities such as special purpose classrooms, laboratory classrooms, libraries, auditoriums, and food service facilities.

Group B - AVERAGE COMPLEXITY PROJECTS: Total facilities such as new elementary schools, middle schools, high schools, or large additions to existing facilities.

Group C - LESS THAN AVERAGE COMPLEXITY PROJECTS: New less complex stand-alone facilities such as warehouses, maintenance facilities, bus barns, offices, and storage facilities or any repetitive design use of a facility.

Group D - REPAIRS AND RENOVATIONS: Miscellaneous repairs and renovations, alterations to facilities, code corrective work or upgrades, system replacements, etc.

Fee Guideline Multiplier:

Construction Cost:	Group A	Group B	Group C	Group D
\$ 0 to \$ 100,000	8.8%	7.9%	7.2%	8.9%
\$ 100,000 to \$ 400,000	7.8% - 8.8%	7.2% - 7.9%	6.6% - 7.2%	8.3% - 8.9%
\$ 400,000 to \$ 1,000,000	7.2% - 7.8%	6.7% - 7.2%	6.2% - 6.6%	7.8% - 8.3%
\$ 1,000,000 to \$ 4,000,000	6.3% - 7.2%	6.0% - 6.7%	5.7% - 6.2%	7.2% - 7.8%
\$ 4,000,000 to \$10,000,000	6.0% - 6.3%	5.5% - 6.0%	5.3% - 5.7%	6.8% - 7.2%
\$10,000,000 to \$20,000,000	5.5% - 6.0%	5.5% - 6.0%	5.0% - 5.3%	5.7% - 6.8%
\$20,000,000 and above	5.5% - 6.0%	5.5% - 6.0%	4.3% to 5.0%	Up to 6.0%

FEE FORMULA:

Estimated Construction Cost _____ x Multiplier _____ % = Fee

Notes:

The higher the Construction Cost in each range, the multiplier percentage should be proportionally lower.

Districts in remote areas and/or with high cost per square foot should not use a higher multiplier percentage than normal. The increased cost per square foot difference automatically increases the fee to cover the additional cost of travel. Since most of the architects' offices and their consultants are in urban areas, the cost to design and produce the contract documents would be the same as if the project were in the same city. See example below for a 750 student elementary school.

City:
 750 x 95 S.F/ student. = 71,250 S.F.
 71,250 S.F. x \$85 / S.F. = \$6,056,250
 \$6,056,250 x 5.7% = \$345,206 = Fee

Rural:
 750 x 95 S.F/ student. = 71,250 S.F.
 71,250 S.F. x \$125 / S.F. = \$8,906,250
 \$8,906,250 x 5.6% = \$498,750 = Fee

D. Alternative Delivery Methods

Per ARS §15-2041 M, until the state board of education and the auditor general adopt rules pursuant to §15-213, subsection J, the school facilities board may allow school districts to contract for construction services and materials through the qualified select bidders list method of project delivery for new school facilities pursuant to this section.

E. Closeout Procedures

Districts shall be considered to have reached the substantial and/or final completion stage upon submitting to the School District's ASFB Liaison the required documentation by providing the following:

1. Certificate of Occupancy from the Local Building Department.
2. Architect's Certificate of Substantial Completion.
3. Final request for payment (must contain all pages and complete schedule of values) from the contractor and certified by the architect the project has zero dollars remaining to be paid to the General Contractor for construction.
4. Superintendent's letter statement of assurance that the facility was built according to SFB state guidelines including the installation of all required FF&E. Note – Letter requires superintendent's signature.
5. (IF APPLICABLE) Fire Marshal's Certification that installed, SFB funded, Water Tank is adequate to provide fire protection at the listed school facility.
6. Provide full/complete PDF (specification) and PDF (plan drawings) Construction Document copy on electronic compact disk. Label each 'disk' copy with School District Name, School Name, SFB Project Number.
 - a. Required Documents include: Architectural, Structural, Civil, Electrical, Mechanical and Plumbing, Landscape, Kitchen Design, drawing documents and written specifications that were reviewed and approved for building permit.
7. All documents sent to SFB, must contain for each project the following at or near the top of each sheet:
 - a. The SFB Project Number.
 - b. The full School District Name and full address
 - c. New School Facility Name and Grade Level and Full Address with Zip Code.
8. On site walk-through by SFB, shall verify that one computer per 8 students, based on the approved SFB occupancy of the facility, and all other FF&E has been installed
9. On site walk-through by SFB, shall verify and ask the librarian for assurance that 10 new library books per student, based on the approved SFB occupancy of the facility, has been installed in the library

F. Policy on Project Balance Funds for New Construction (Adopted November 6, 2003)

ARS 15-2041 I. If a school district has surplus monies received from the new school facilities fund, the school district may use the surplus monies only for capital purposes for the project for up to one year after completion of the project. If the school district possesses surplus monies from the new school construction project that have not been expended within one year of the

completion of the project, the school district shall return the surplus monies to the school facilities board for deposit in the new school facilities fund.

1. Current budgeting procedures including the three to five percent project contingency set aside will continue under existing rules.
2. The “one-year” period will be counted from the date of substantial completion as certified by the architect of record.
3. Dollars that are legally obligated by either a contract or a purchase order will be deemed spent.
4. Districts must obtain approval from the School Facilities Board Executive Director prior to expending any funds under this section. The district may appeal to the School Facilities Board Chairman for a review by the full Board if there is a dispute between the Executive Director and the district regarding the appropriateness of an expenditure.
5. The Executive Director may approve appropriate design fees for a proposed project.
6. Approved purposes will be any capital item on the project site. This includes soft capital items (as defined by A.R.S. 15-962), landscape improvements, athletic facilities, administrative space for the project, additional academic space, etc.
7. If soft capital items are purchased, the district must certify that the item will be used at the project site for at least three-years.
8. If square footage is constructed (either academic or administrative) that space will be counted as visible space for future new school facility calculations.
9. Districts may access project balance funds for on site capital purposes after the construction contract has been awarded.
10. Districts may access contingency funds for capital purposes once substantial completion is received.
11. If a district contributes dollars to the project in excess of the contingency balance at project closeout, the remaining contingency amount will be released to the district as a reimbursement.

G. Funding Amounts per Square Foot

Grade Level	Urban as of 10/24/06	Rural as of 10/24/06
K-6	\$131.13	\$137.69
7-8	\$138.42	\$145.34
9-12	\$160.28	\$168.29
K-8	\$132.85	\$139.49
4-8	\$134.04	\$140.74
5-8	\$134.77	\$141.51
6-8	\$135.99	\$142.79
7-9	\$145.70	\$152.99
K-12	\$141.62	\$148.70
7-12	\$152.99	\$160.64
5-12	\$147.53	\$154.91

H. Policy on Inflation Adjustments (Adopted February 2005)

Based on an Attorney General's Opinion No I04-011, the Board has the authority to increase project awards for inflation if "good cause exists." This policy requires the following steps

1. Project construction schedule delayed for more than one year.
2. District outlines good and sufficient reasons for the delay.
3. The District has demonstrated the delay is likely to increase the cost of the project to the point the district cannot complete the approved project within the original budget.

(Modified April 6, 2006) To supplement the original policy in consideration of the A.G. Opinion, staff suggests the following steps to determine if "the district has demonstrated the delay is likely to increase the cost of the project to the point the district cannot complete the approved project within the original budget."

1. Staff review of construction plans and other contracts to determine if value-engineering or renegotiation opportunities exist. This would include the removal of non-minimum guideline upgrades and could include removal of funding for discretionary non-construction contracts. This step would generally take place during the design phase of the project to minimize the cost of redesign.
2. Require the district to employ a traditional design-bid-build procurement system, OR ANY ALTERNATIVE DELIVERY METHOD AS APPROVED BY THE EXECUTIVE DIRECTOR.
3. If bids OR THE GUARANTEED MAXIMUM PRICE are still over the original budget, determine if re-bidding the project is appropriate.

If the district completes the above steps and is unable to build the project, staff would seek additional funds from the SFB. If additional dollars were provided, any dollars remaining at the end of the project, i.e. unused contingency would be returned to the SFB to offset the cost of the additional dollars.

(Modified August 10, 2006) To supplement the above policy in allowing districts to use alternative delivery methods and still qualify for inflation funding, the board developed specific guidelines on how to administer the CM at Risk delivery method. These steps are to ensure the method is employed correctly and that staff receives sufficient data to determine that the presented costs are consistent with market conditions.

SFB Oversight of Construction Manager at Risk Process Owner Training

Request for Qualifications:

SFB Liaison will review RFQ to review the following items:

- Applicable Procurement Rules
- Approve project scope
- Review screening criteria
- Review form of agreement for CMAR services
- Review dispute criteria from AAC R7-2-1155 through R7-2-1159

SFB may elect to observe interview and selection discussions.

SFB Preliminary Budget Meeting:

Staff architect and SFB Liaison and District construction team.

(Team is district's designated construction coordinator, architect and CMAR.)

- Review base construction budget and derivation of the budget.
- Discuss CMAR contingency set-aside
- Review all SFB requirements for new construction and provide guideline information.
- Discuss SFB recommendations for economical construction, energy efficient buildings, and indoor air quality standards during construction.
- Discuss any identified land issues.
- Discuss solar review requirements under A.R.S. 34-452
- Discuss minority-women owned business inclusion recommendation.

Schematic Design and Budget Review Meeting:

Staff architect, SFB Liaison, and district team will review schematic design and estimate for: Minimum adequacy guideline adherence.

- SFB staff will review with district team design limitations for over budget projects.
- Discuss strategies for keeping project within budget.
- Discuss minority-women owned business inclusion recommendation

GMP Review Meeting:

Staff architect, SFB liaison, Staff construction cost specialist and district team will review construction documents and estimate prior to GMP bid phase. The SFB liaison may elect to attend district-architect-CMAR GMP discussions prior to setting of GMP.

- Verify minimum adequacy guideline compliance.
- Verify final scope of work.
- Review value-engineering recommendations.
- Conduct estimate discussion as necessary.
- Review process for number of bidders in each trade (3 sub bids in all trades recommended).
- Review GMP contingency.
- Review schedule of values.

This review will be based on a comparison of similar projects. SFB staff will develop a systematic way to record and compare new construction costs.

Construction of Project:

- SFB will review all change orders and monitor project contingency funding.
- SFB will conduct site visits as determined by the SFB Liaison.
- SFB will attend final completion walkthrough as determined by the SFB Liaison.

- The District will submit a monthly report to the SFB Liaison that includes schedule information, the RFI log, the COR log, the Change Order log and other information requested.

Post Construction:

- SFB will review the final project audit conducted by the school district. The SFB may decide to audit selected projects.

(Modified November 2, 2006) To provide additional guidance in applying the guidelines for new construction projects that are over the formula budget, the Board has decided to limit the number of buildings and lineal feet the SFB will fund.

The table below shows the number of buildings the SFB will fund based on the total square footage of the school:

Square feet	0 – 60,000	60,000- 125,000	125,000- 170,000	170,000- 240,000	240,000 +
Number of Buildings	1	2	3	4	5

The following table shows the allowable minimum lineal feet. Specific comparisons of what the shape would produce is included as *Exhibit Item V. H.*

Building Size	Lineal Feet Allowed
Under 60,000 sq. ft.	1,600
67,669 sq. ft.	2,466
73,953 sq. ft.	2,578
101,640 sq. ft.	3,020
134,869 sq. ft.	4,260

I. Reporting Requirements

By October 15, each district shall report:

1. The projects funded at each school in the previous fiscal year with monies from the district new school facilities fund.
2. An accounting of the monies remaining in the new school facilities fund at the end of the previous fiscal year.

Forms are shown in *Exhibit Item V.I.*

VI. Emergency Projects

Per ARS 41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

15-2022. Emergency deficiencies correction fund; definition

A. An emergency deficiencies correction fund is established consisting of monies transferred from the deficiencies correction fund established by section 15-2021 or the new school facilities fund established by section 15-2041. The school facilities board shall administer the fund and distribute monies in accordance with the rules of the school facilities board to school districts for emergency purposes. The school facilities board shall not transfer monies from the deficiencies correction fund and the new school facilities fund if the transfer will affect, interfere with, disrupt or reduce any capital projects that the school facilities board has approved pursuant to sections 15-2021 and 15-2041. The school facilities board shall transfer to the emergency deficiencies correction fund the amount necessary each fiscal year to fulfill the requirements of this section. Monies in the fund are continuously appropriated and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. If the school facilities board determines that there are insufficient monies in the emergency deficiencies correction fund to correct an emergency, the school district may correct the emergency pursuant to section 15-907.

C. If a school district has an emergency, the school district shall apply to the school facilities board for funding for the emergency. The school district's application shall disclose any insurance or building renewal monies available to the school district to pay for the emergency.

D. The school facilities board staff shall notify the school district of the staff's recommendation within five business days of receiving the application. The school facilities board shall decide on the staff's recommendation for funding at the next scheduled school facilities board meeting.

E. For the purposes of this section, "emergency" means a serious need for materials, services or construction or expenses in excess of the district's adopted budget for the current fiscal year and that seriously threaten the functioning of the school district, the preservation or protection of property or public health, welfare or safety.

VII. Preventive Maintenance

Per ARS §41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

Per ARS §15-2002: Each school district shall develop routine preventative maintenance guidelines for its facilities. SFB Staff shall inspect school buildings at least once every five years to ensure compliance with routine preventative maintenance guidelines with respect to construction of new buildings and maintenance of existing buildings. The school facilities board shall randomly select twenty schools every thirty months and inspect them pursuant to this paragraph.

A. District Plans

There are seven identified Preventive Maintenance categories as shown in *Exhibit Item VII.A*: HVAC, Roofing, Electrical, Plumbing, Surfaces, Special Systems, and Special Equipment. There are 50 Preventive Maintenance checklists within these seven categories. Each checklist identifies a major building component within the category. SFB staff will assist each district in selecting the appropriate checklists to use for their respective schools. The District's Preventive Maintenance Plans will dovetail with the District's Building Renewal Plans.

B. Description of Tasks

Each of the seven categories contain multiple tasks to be completed quarterly, semi-annually, or annually.

C. Life Cycle of Equipment

Information of the life expectancies of equipment is provided in *Exhibit Item VII. C*. The useful lives of the listed items vary directly with their initial quality and level of maintenance. The list is based upon good quality components and a level of maintenance over the useful life that is consistent with manufacturer specifications.

D. Reporting

A reporting form-*Exhibit Item VII.D*, completed for each district school, will list the number of preventative maintenance guideline tasks completed during the reporting period for the seven PM categories against the total number of recommended tasks for the approved plan. The number will be put into a report to compare the schools in a district, between districts statewide, or amongst similar geographic features or size. Each District's preventative maintenance plan reporting period will be the fiscal year from July 1 thru June 30 of the following year. Each District will submit it's preventative maintenance report to the School Facilities Board by October 1st of each year. The reporting form will be submitted to SFB on an annual basis signed by: District Governing Board President, District Superintendent, and Facilities Manager

E. Non-Compliance as a Result of the Inspection

If the SFB staff determines, during their 5-year inspection process, the District is in non-compliance, the district will explain the non-compliance and provide a recovery plan to bring the district into compliance. The actual PM checklists will be completed by building and filed for each school within the District. The respective SFB Liaison will review these PM files when they inspect the school.

F. Use of Building Renewal Monies

A school district is authorized to use up to eight (8) percent of its annual building renewal formula amount for routine preventive maintenance, but such monies may not supplant maintenance expenditures from other sources. The SFB may require a school district to use building renewal eight (8) percent set aside for preventive maintenance if the SFB finds during an inspection that the District has not adequately maintained its facilities pursuant to the adopted guidelines.

G. Inspections

SFB will randomly select twenty school districts every thirty months and do a complete Preventive Maintenance Guideline audit.

VIII. Building Renewal

Per ARS §41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

(ARS §15-2031) The Building Renewal Fund consists of the monies appropriated by the legislature and administered by the SFB for the purpose of maintaining the adequacy of existing school facilities. All school buildings should be included on the SFB database with the money from building renewal used primarily for buildings owned by the district that are required to meet academic standards, then secondly for other buildings owned by the district. Each district shall establish a separate fund and money used or left for use in following fiscal years must be expended only for:

1. Renovations or repairs of a building
2. Upgrading systems and areas that maintain or extend the useful life of a building
3. Infrastructure
4. Relocation of portable or modular buildings

Funds from building renewal shall not be used for the following:

1. New construction
2. Remodeling interior space for aesthetic reasons
3. Exterior beautification
4. Demolition
5. Purchase soft capital items
6. Routine maintenance above 8% of computed BR amount. This amount is to supplement, not supplant normal maintenance expenditures. Recommended services can be found in Preventative Maintenance documents (Section VII). The auditor general shall prescribe a method of compliance and may conduct discretionary reviews of a district not required to contract for independent audit.

Routine preventative maintenance-services that are performed on a regular schedule at intervals ranging from 4 times a year to once every three years and that are intended to extend the useful life of a building system and reduce the need for major repairs.

If the SFB determines that a school district has spent monies for other than the allowed uses above, the Superintendent of Public Instruction shall be notified to withhold a corresponding amount from the monies due to the district under capital outlay revenue limit.

Building renewal shall be computed thus:

$$\frac{\text{Age of building}}{1,275 \text{ or } 210(\text{portable})} \times .67 \times ((\text{student capacity})(\text{Design SF per student})(\text{cost/SF}))$$

Called BUILDING CAPACITY VALUE

Age of building-current listed age (current database age after prior renovations computed)

Student Capacity- See New Construction V.C.1 working definition.
Design SF Per student -per ARS §15-2041
Cost per SF -per ARS §15-2041

The SFB shall maintain a database and update it annually to reflect change in age and value of buildings. Each school district is required to report the following by September 1st each year:

1. Number and type of school buildings owned by the district
2. Square footage of each building
3. Age of each building
4. Nature of any renovations completed
5. Cost of any renovations completed

This information may be reviewed or audited or both by the Board staff to confirm this information. If any space in the database is converted to administrative space, the district is responsible for any costs associated with conversion, maintenance and replacement of that space. The age of a building that has been significantly upgraded or remodeled shall be recomputed as such:

$$\frac{\text{Cost of renovation}}{\text{Building Capacity Value}} \times \text{Current Listed Age} = \text{Adjustment}$$

$$\text{Current Listed Age} - \text{Adjustment} = \text{Adjusted Age (for use in BR formula)}$$

By October 15, each district shall report:

1. The projects funded the previous year with monies from the district building renewal fund and expenditure of monies for renovations, remodels, or systems upgrades coming from sources other than the Building Renewal Fund.
2. An accounting of monies remaining in building renewal at end of previous fiscal year
3. A comprehensive 3-year plan detailing uses of building renewal monies.

The SFB shall submit an annual report to the President of the Senate, Speaker of the House, Arizona State Library and Archives and the Governor by October 1 with computation of funds to be distributed for the current fiscal year. The Joint Committee for Capital Review shall review the computations before the SFB distributes monies in 2 equal installments in November and May.

Any new replacement buildings funded with deficiency correction monies are not eligible to receive building renewal until the fiscal year following the completion of the building.

A. Parameters for the Expenditure of Monies from the Building Renewal Fund (Adopted June 3, 1999)

Subsection K of §15-2002 states “that if upon inspection by the school facilities board it is determined that a school district facility was inadequately maintained pursuant to the school district’s preventative maintenance guidelines, the school district shall use building renewal monies pursuant to §15-2031, subsection J to return the building to compliance with the school

district's routine preventative maintenance guidelines. Once the district is in compliance, it no longer is required to use building renewal monies for preventative maintenance."

In addition, subsection J of §15-2031 states "that a school district may use eight percent of the building renewal amount computed pursuant to subsection G of this section for routine preventative maintenance."

Subsection H of the same section provides that "If the school facilities board determines that a school district has spent monies from the building renewal fund for purposes other than those prescribed in subsection B of this section, the school facilities board shall notify the superintendent of public instruction. Notwithstanding any other law, the superintendent of public instruction shall withhold a corresponding amount from the monies that would otherwise be due the school district under the capital outlay revenue limit until these monies are repaid."

The Auditor General has established the Building Renewal Fund as Fund 690.

1. Building Renewal Working Definition

The School Facilities Board has established the following working definition for "Building Renewal".

"Building Renewal" means major activities that involve the repair, renovation, or remodeling of a building and the supporting infrastructure, including the upgrade of the systems and areas that will result in maintaining or extending a building's expected useful life.

2. Allowable Expenditures from the Building Renewal Fund (Fund 690) include:

a. Major Renovations and Repairs of a Building

Renovation is the rejuvenating of an existing building or portion of an existing building where the use and occupancy remains the same. This may include the upgrading of major systems, which maintains or extends the useful life of a building or portion of an existing building. The renovation must be significant, such as, an entire floor of a building, several classrooms, etc. Examples include the addition, replacement, or repair of: roofing, electrical, plumbing, heating, ventilating, air conditioning and special systems (fire alarm, intercom, security, telephone, technology, etc.); fixed equipment (fume hoods, laboratory benches, sinks, etc.); interior surfaces and finishes (flooring, walls, ceilings and partitions).

Additionally, remodeling for significant programmatic changes where the use and occupancy of the space may be modified is permissible. Examples include: alteration of storage space into teaching space; the remodel of non-classroom space for use as classrooms, etc.

Renovating or remodeling of non-academic school facilities (district administrative offices, maintenance space, bus barns, etc.) to increase useful life or change of purpose may be made only after the specified primary uses of the fund have been met.

b. Upgrading Systems and Areas that will Maintain or Extend the Useful Life of a Building

Systems upgrading maintains or extends the useful life of a building or portion of an existing building and may be either a part of a renovation as listed above, or may be completed as a single stand-alone action. Upgrading systems and areas includes the major upgrading of a building system or components of a system that is necessitated by the building's physical

plant aging. Examples include the replacement or repair of: roofing, electrical, plumbing, heating, ventilating, air conditioning and special systems (fire alarm, intercom, security, telephone, technology, etc.); Several other functions and categories of work may also be considered as part of upgrading systems and areas, including:

Major Repairs: Major Repairs is the recurring need to keep in good repair building system components, which generally have established maintenance cycles of greater than three years. It is synonymous with major preventive maintenance, e.g., programmed re-coating of roofing surfaces, deslugging of septic tanks, water-proofing of exterior surfaces. Examples include: disassembling and rebuilding of air conditioning systems water chillers and boilers; overhauling large chilled water circulation pumps; filtering and replacing oil in electrical transformers when indicated, rebuilding of compressors, etc.

Life Safety/Code Upgrades: Life Safety/Code Upgrades is specifically related to compliance with life safety/codes, and includes, for example, elimination of dead-end corridors; upgrading of fire alarm systems; improvement of exiting from buildings; installation of fire sprinklers in existing construction; eliminating hazardous conditions; work on emergency lighting, etc.

Handicapped Access: Handicapped Access refers to making facilities accessible for individuals with physical infirmities, e.g., modifications of seating areas, doorways, bathrooms, exterior/interior access, etc., to allow usage by those in wheelchairs or on crutches. Other examples include capital requirements to accommodate the sight and hearing impaired and may include assisted listening systems, special signage, restroom access, elevator modification, etc.

Asbestos Abatement: Asbestos Abatement refers to programs to encapsulate or remove asbestos products, which, if they become airborne or friable, would constitute a health threat. Examples include: encapsulation of asbestos materials in non-occupied portions of the buildings, e.g., above suspended ceilings and removal of exposed, friable, asbestos from permanent occupied spaces, such as classrooms, corridors, mechanical equipment spaces, etc.

c. Infrastructure Costs: Infrastructure is the upgrade, repair or replacement of utility systems or major components of systems that are physically located external to the building itself. Systems include: egress and ingress (drives, parking, sidewalks); electrical distribution; sewer and water; fire suppressant (hydrants, fire lines, storage tanks, pumps, etc.); irrigation; site security (fencing, lighting, etc.); and external sections of building systems, such as telecommunications, computer cabling, etc. Examples include: replacement or resurfacing of existing parking, drives or sidewalks; replacement, modification or upgrading of sewer and water connections; replacement or addition of fencing or exterior lighting for safety/security, etc.

d. Relocation and Placement of Portable or Modular Buildings Portable and modular buildings are routinely moved in order to accommodate additional children or programs at sites of existing schools. Any costs associated with the movement of these buildings from

one site to another would be acceptable. The costs may include such items as: utility hookup, site and/or slab preparation, permitting, or connection of data network.

e. Routine Maintenance

Routine maintenance is the recurring need, typically more frequently than every three years, to keep in good repair building systems or components, and is synonymous with routine preventive maintenance. Examples include: roofing and flashing repair, routine replacement of cooler pads and filters; replacement of light bulbs and ballasts; replacement of drive belts; routine lubrication; routine interior painting schedules; routine elevator maintenance, etc. The statute provides that a district may spend up to 8% of its annual calculated building renewal amount on the functions cited in this section.

f. Staff/ Consultants

The hiring of temporary or permanent staff and/or the use of technical consultants for the purposes of identifying, defining and/or executing building renewal projects as outlined above, is an authorized use of building renewal funds.

3. Prohibited Expenditures from the Building Renewal Fund (Fund 690) include:

- a. New Construction: New construction is the creation of a new facility; the addition, expansion, or extension of space to an existing facility that adds to the building's overall external dimensions, i.e. adds to the gross square footage of the building; or the addition, expansion, extension or creation of any parking lots, drives/streets or sidewalks. Examples include: additions to existing facilities; construction of portable, temporary or permanent buildings; the building of firelanes, drives or additional parking spaces, etc. An incidental addition to a building's overall external dimensions due to code, safety, or handicapped modifications (adding an elevator, modifying an entrance, etc.) is not a prohibited use of building renewal funds.
- b. Remodeling Interior Space for Aesthetical or Preferential Reasons: Remodeling to change the interior space primarily for aesthetic or preferential reasons is the beautification of space due to personal tastes or preferences. Examples include: changing of interior finishes for color or texture (painting of walls, adding or changing coverings for walls); installation or changing of blinds/drapes, carpet, light fixtures; installation or relocation of a door or window; installation or refinishing of millwork such as bookcases and cabinets, etc.
- c. Exterior (Site) Beautification: Exterior beautification is landscaping of the site, the enhancement of existing exterior areas or the development of new areas. Examples include: planting of grass or turf; addition or replacement of plants and trees; outside seating such as plazas, covered areas, amphitheaters; decorative lighting; the installation of signage, etc.
- d. Demolition: Demolition consists of the complete removal of any structure. It does not include the razing, wrecking or reworking that is associated with a building renovation, remodel, or other eligible projects. Demolition associated with an approved new construction project shall be funded as part of that new construction project.

- e. Purchase of Soft Capital Items: Pursuant to section §15-962, subsection F, Arizona Revised Statutes, "Soft capital allocation monies shall only be used for short-term capital items that are required to meet academic adequacy standards such as technology, textbooks, library resources, instructional aids, pupil transportation vehicles, furniture and equipment."
- f. Routine Maintenance: Pursuant to §15-2031, any routine maintenance incurred by school above the statutory 8% of calculated building renewal would be a prohibited expenditure.

Q & A

1. Can Building Renewal dollars be spent on athletic facilities? A school district that receives monies from the building renewal fund shall use the monies primarily for any buildings that are owned by school districts that are required to meet academic standards, and secondly for any other buildings owned by the school district. If the athletic facility were required to meet academic standards, then expenditures would be allowed as a primary use (assuming the expenditure item is within the three permitted areas: major renovation, upgrades that maintain or extend the useful life or infrastructure). If the athletic facility was not required to meet academic standards, then expenditures would be allowed as a secondary use (once again assuming the expenditure item is within the three permitted areas: major renovation, upgrades that maintain or extend the useful life or infrastructure).
2. Can Building Renewal monies be used to complete shell space? No. Completion of shell space that has not been finished as part of an original construction project is considered new construction and is therefore a prohibited expenditure. Examples include: unfinished rooms or floors in a new or existing building; the completion of an unfinished basement; the conversion of covered areas to building space, etc.

4. Reporting Requirements:

In addition to addressing the areas for which expenditures are allowable from Building Renewal Fund monies, the Students FIRST law also addresses reporting of expenditures. The first of the following sections deals with reporting on the expenditure of monies from the Building Renewal Fund. The second deals with reporting on the expenditure of monies for renovations, remodels, or systems upgrades. These expenditures could come from sources other than the Building Renewal Fund. Also, some allowable expenditures from the Building Renewal Fund, may not need to be reported as renovations.

a. Reporting on the Expenditure of Monies from the Building Renewal Fund Section §15-2031, subsection F, Arizona Revised Statutes: "F. School districts that receive monies from the building renewal fund shall establish a district building renewal fund and shall use the monies in the district building renewal fund only for the purposes prescribed in subsection B of this section. Ending cash balances in a school district's building renewal fund may be used in following fiscal years for building renewal pursuant to subsection B of this section. By October 15 of each year, each school district shall report to the school

facilities board the projects funded at each school in the previous fiscal year with monies from the building renewal fund and shall provide an accounting of the monies remaining in the building renewal fund at the end of the previous fiscal year."

b. Reporting on the Expenditure of Monies for Renovations (from the Building Renewal fund and other Funds)

Section §15-2031, subsection D, Arizona Revised Statutes: "D. The school facilities board shall maintain the building renewal data base and use the data base for the computation of the building renewal formula distributions. The board shall ensure that the data base is updated on at least an annual basis to reflect changes in the ages and value of school buildings. The facilities listed in the data base shall include only those buildings that are owned by school districts that are required to meet academic standards. Each school district shall report to the school facilities board no later than September 1 of each year the number and type of school buildings owned by the district, the square footage of each building, the age of each building, the nature of any renovations completed and the cost of any renovations completed. The school facilities board may review or audit, or both, to confirm the information submitted by a school district. The board shall adjust the age of each school facility in the data base whenever a building is significantly upgraded or remodeled. The age of a building that has been significantly upgraded or remodeled shall be recomputed as follows:

1. Divide the cost of the renovation by the building capacity value of the building determined in subsection G, paragraph 3 of this section.
2. Multiply the quotient determined in paragraph 1 of this subsection by the currently listed age of the building in the data base.
3. Subtract the product determined in paragraph 2 of this subsection from the currently listed age of the building in the data base, rounded to the nearest whole number."

B. Administration

The School Facilities Board uses the database to compute building renewal distributions. It is the duty of the SFB to ensure that the database is updated at least annually to reflect changes in the age and value of the buildings.

By September 1, each district must report to the SFB all renovations (*Exhibit Item VIII. B.*) completed in the previous fiscal year using district funds or building renewal for the purpose of database calculations to the adjusted age of the building. The SFB may review or audit or both to confirm the information submitted by the district and then adjust the age of a building that has been significantly upgraded or remodeled.

By October 15, each school district shall:

- Report all projects funded with building renewal from the prior year (*Exhibit Item VIII. B.2*) In order to reconcile balances, the staff may request an accounting of expenditures reported on the Department of Education AFR's.

If the SFB determines that a school district has spent money from building renewal for purposes other than prescribed in ARS §15-2031 subsection B, the SFB shall notify the

superintendent of public instruction, who will withhold a corresponding amount from the monies due to the district under capital outlay revenue limit.

- Provide a comprehensive 3 year plan detailing proposed use of building renewal monies.

Failure to submit this report will result in withholding the building renewal distribution until the district complies with the requirements.

C. Building Renewal 3 Year Plan

The SFB has adopted forms to be used to provide a comprehensive 3 year building renewal plan per statute ARS §15-2031.F. The District's summary form is shown in *Exhibit VIII.C*. Each school is identified on a separate sheet and uses the corresponding preventative maintenance categories to forecast replacement life cycle of major systems and equipment. Cost estimating may be taken from the Means indexing or another estimating program or method. Adjustments to available building renewal funds will necessitate prioritizing projects. A district summary of the costs and projected projects for each year will be provided on the cover sheet.

The forms have been individually set up by the SFB staff with available balances and projected building renewal distributions and systems. District personnel then determines if the remaining life cycle and approximate replacement year for building systems and equipment falls within the next 3 years. If funds are available, that project is scheduled. The process of review includes:

1. The staff first checks for accuracy and correct use of forms. If not, their liaison helps them make corrections.
2. The staff checks for appropriateness of the planned projects. The projects must comply with the parameters for using building renewal funds (Policy VIII.A.1 above). If the liaison has any questions regarding the eligibility, the district will be contacted. If it is determined to be ineligible, then the district must revise and resubmit their plan.
3. Each project scheduled for the first year must have a separate cost estimate, breaking down the cost components of the project. These estimates are reviewed for accuracy and appropriateness in conjunction with the building renewal plan forms. If there are any questions, the district will be contacted.
4. Following liaison review, the plan is transmitted to Deputy Director for Facilities to review the summary sheet and first year cost estimates.
5. The Deputy Director verifies that the district has submitted their prior year Building Renewal Expenditure Report as shown in *Exhibit VIIC5*.
6. The plan is submitted to the Board for approval. When the plan is approved by the Board, the District's Building Renewal disbursement is released one-half in November or the month after SFB approval and the second half in May of that fiscal year.

D. Building Renewal Allocation (Standard Practice since FY2001)

In the event that the legislature does not fully fund the requested building renewal distribution, the available amount will be proportionately reduced to correspond to each district's share of the total.

E. Building Renewal

Presented to the Board for information September 6, 2001 The School Facilities Board is required by law to report to the State Treasurer by January 1 of each year the amount of funds from the transaction privilege tax to be credited to the building renewal fund to meet the building renewal need for the next fiscal year. Because the law does not allow the School Facilities Board to request additional funds after January 1, the School Facilities Board will no longer recalculate building renewal after the State Treasurer has been instructed as to the amounts needed for that fiscal year. In other words, the updated square footage and renovation data that school districts provide to the School Facilities Board in September of each year will not be reflected in a district's building renewal distribution until the following fiscal year.